

BellSouth Telecommunications, Inc.
601 W. Chestnut Street
Room 407
Louisville, KY 40203

Dorothy.Chambers@BellSouth.com

Dorothy J. Chambers
General Counsel/Kentucky

502 582 8219
Fax 502 582 1573

August 31, 2005

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

AUG 31 2005

PUBLIC SERVICE
COMMISSION

Re: An Inquiry Into Universal Service and Funding Issues
Administrative Case No. 360

Dear Ms. O'Donnell:

In the Commission's August 24, 2004 order in this case, Eligible Telecommunication Carriers (ETCs) were instructed to implement annual certification audits to verify the eligibility of customers to receive Lifeline benefits. By letter dated May 23, 2005, the Commission staff answered some questions relative to the audit. Included in that letter was a directive that ETCs should file the results of their audits with the Commission by June 30, 2005.

On June 1, 2005, BellSouth advised the Commission that it would be unable to complete its audit and file the results until August 31, 2005. BellSouth has now completed its audit and herein files its results.

BellSouth requested verification of eligibility from a statistically significant sample of our Lifeline customers. Verification of eligibility was attempted by mailing a questionnaire to the lifeline subscribers identified in the sample size. This method relied upon a conscientious effort by a lifeline subscriber to respond to the questionnaire.

Following are the results:

Lifeline Subscribers	23,043
Sample Size	43
Customers who provided documentation of eligibility	9
Customers who provided insufficient documentation of eligibility	7
Customers having disconnected their service	2
Customers who failed to respond	25

Ms. Beth O'Donnell

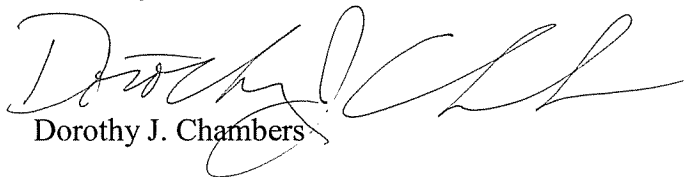
August 31, 2005

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The above data yields indeterminate results as 60% of customers did not respond to the questionnaire and another 16% failed to provide sufficient information. While these results are similar to those generated by a similar audit conducted simultaneously in another BellSouth state, they illustrate the challenges in relying upon the lifeline subscriber to respond to inquiries on lifeline eligibility. It is BellSouth's belief that this information is simply inadequate to draw conclusions about the continued eligibility of customers participating in the Lifeline program. As a result BellSouth is now working with the Kentucky Cabinet for Human and Family Services to verify the eligibility for the seven customers who to date have provided insufficient documentation, and the twenty-five customers who failed to respond to our request for verification. BellSouth anticipates completing this review by September 15, 2005 and will supply the Commission the final results of the review.

If there are any questions concerning BellSouth's audit of Lifeline eligibility, please call Jim Tipton at 502-582-8925.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dorothy J. Chambers', with a stylized flourish extending to the right.

Dorothy J. Chambers